

DORSEY, KING, GRAY, NORMENT & HOPGOOD

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March 19, 2004

Case 2004-00091

FEDERAL EXPRESS

Mr. Thomas M. Dorman
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED
MAR 22 2004
PUBLIC SERVICE
COMMISSION

Re: Application of Kenergy Corp. for
Authorization to Borrow \$6,281,789
From CoBank and Execute Necessary
Note and to Prepay Rural Utilities Service
5% Notes of the Same Amount

Dear Mr. Dorman:

We enclose for filing the original and 10 copies of application pertaining to the above. Please notify the undersigned of the case number when it has been assigned.

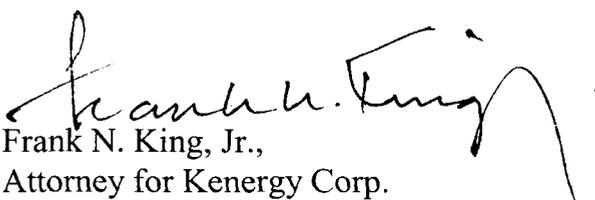
The fixed rate being offered by lender CoBank expires on April 9, 2004. Accordingly we request expedited handling of this application so that we may have Commission approval prior to that date.

Thank you for your assistance in this matter.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


Frank N. King, Jr.,
Attorney for Kenergy Corp.

FNKJr/cds

Encls.

COPY/w/o/encls.: Kenergy Corp.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP.)
FOR AUTHORIZATION TO BORROW)
\$6,281,789 FROM COBANK AND)
EXECUTE NECESSARY NOTES AND TO)
PREPAY RURAL UTILITIES SERVICE 5%)
NOTES OF THE SAME AMOUNT)

RECEIVED

MAR 22 2004

PUBLIC SERVICE
COMMISSION

CASE NO. 2004-00091

APPLICATION

Kenergy Corp. ("Kenergy") respectfully submits this application seeking expedited approval (in order to close by April 9, 2004) of long-term refinancing, pursuant to KRS 278.300.

The petition respectfully shows;

1. Kenergy is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member customers in the Kentucky counties of Breckenridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster.
2. Kenergy's post office address is Post Office Box 18, Henderson, Kentucky 42419-0018.
3. The current Articles of Consolidation are filed in Case No. 99-136.
4. As of February 29, 2004, Kenergy serves 52,441 member-customers. It has 6,811 miles of distribution lines in its fourteen county service territory, and owns additional facilities necessary to support this distribution system. The total original cost of these distribution lines and additional facilities as of February 29, 2004 is \$194,461,401.

5. The financial exhibit, as required by 807 KAR 5:001, Section 11(2)(a) is attached as Exhibit 1 of this application.

6. Kenergy is not seeking authorization to issue any kinds of stock as part of this application.

7. Kenergy seeks to borrow from CoBank a total of \$6,281,789 and execute four notes in conjunction with this borrowing from CoBank at fixed interest rates of 4.64%, 4.77%, 4.89%, and 4.97%. The CoBank loans will be for 11, 12, 13, and 14 year periods and will equal the average life of the debt being refinanced. A copy of the approval letter from CoBank is attached in Exhibit 2 of this application. The CoBank loan is secured under the provisions of the Restated Mortgage and Security Agreement, filed in Case No. 99-497.

8. Kenergy expects the actual payoff to be very close to the \$6,281,789. Kenergy proposes to adjust any difference through the line of credit agreement with CoBank, which will allow the notes with CoBank to stay at \$6,281,789.

9. Kenergy will have the ability to convert the interest rate from fixed to variable or variable to fixed during the term of the loans under Section 12(a) of the Master Loan Agreement with CoBank entitled "Broken Funding Surcharge". The surcharge would be an amount equal to the sum of: (a) the present value of any funding losses imputed by CoBank to have been incurred as a result of such payment, conversion or failure; plus (b) a fee in an amount equal to ½ of 1% of the amount repaid, converted or borrowed.

10. Kenergy will use the proceeds from the CoBank loan to prepay notes of the same amount outstanding to Rural Utilities Service ("RUS"). The notes being prepaid are listed in the CoBank proposal in Exhibit 2.

11. RUS has given notice to cooperatives that this type of refinancing is allowed under the Restated Mortgage and Security Agreement filed in Case No. 99-497.

12. The mortgages of Kenergy are listed in Exhibit 1, Attachment A, of this application.

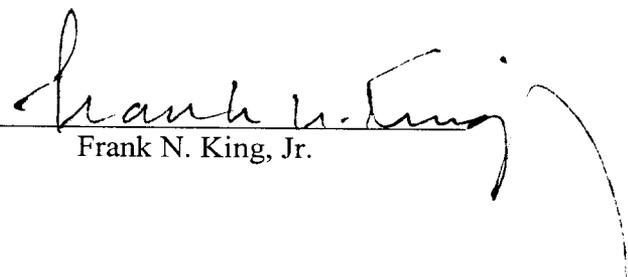
13. As no property is being acquired in conjunction with this financing, 807 KAR 5:001, Section 11(2)(c) is not applicable.

12. Additional information in support of this application is included in attached Exhibit 2, including net present value analysis of the cash flows over the life of the loan. The nominal dollar savings are \$473,026, with a present value of \$270,015 discounted at the fixed interest rates of the four notes.

WHEREFORE, Kenergy asks that the Commission issue an Order authorizing Kenergy to execute and issue evidences of indebtedness as security for the CoBank loan described herein, and for any other relief to which it may be entitled.

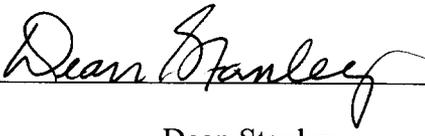
DATED at Henderson, Kentucky, this 18th day of March, 2004.

DORSEY, KING, GRAY, NORMENT & HOPGOOD
Attorneys for Applicant
318 Second Street
Henderson, Kentucky 42420
Phone: (270) 826-3965
FAX: (270) 816-6672

By: 
Frank N. King, Jr.

VERIFICATION

The undersigned, Dean Stanley, being first duly sworn states that he is the President and Chief Executive Officer of Kenergy Corp.; that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.

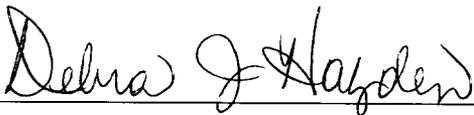


Dean Stanley

STATE OF KENTUCKY
COUNTY OF HENDERSON

Subscribed, sworn to, and acknowledged before me by Dean Stanley this 15th day of March, 2004.

My commission expires May 24, 2007.



Notary Public, State of KY at Large

(seal)

KENERGY CORP.

CASE NO. _____

INDEX OF EXHIBITS TO APPLICATION

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

Exhibit 1 – Attachment ANotes Executed

Exhibit 1 – Attachment BStatement of Operations

Exhibit 1 – Attachment CFinancial & Statistical Report

SUPPLEMENTAL INFORMATION

Exhibit 2 - Attachment A Board Resolution

Exhibit 2 – Attachment BCoBank Proposal

APPLICATION OF KENERGY CORP.

EXHIBIT 1

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

Unless otherwise noted, the financial information contained in this Exhibit is for the twelve months ending or as of February 29, 2004, which is within the 90 day requirement of 807 KAR 5:001, Section 6.

- Section 6(1) Kenergy has no stock authorized.
- Section 6(2) Kenergy has no stock issued or outstanding.
- Section 6(3) Kenergy has no preferred stock issued.
- Section 6(4) All of Kenergy's loans with the RUS, CoBank and CFC are secured by the Restated Mortgage and Security Agreement ("Restated Mortgage"), which was executed on September 1, 1999. A copy of the Restated Mortgage was filed in Case No. 99-497. Kenergy is the mortgagor, while the RUS, CoBank and CFC are the mortgagees. The total debt limit is \$250,000,000. The current actual indebtedness is shown as Attachment A, pages 1 – 3 of Exhibit 1. There are no sinking fund provisions contained in the Restated Mortgage.
- Section 6(5) Kenergy has no bonds authorized or issued.
- Section 6(6) Attachment A to this Exhibit contains the listing of Kenergy's total notes outstanding.
- Section 6(7) Kenergy has no other indebtedness.
- Section 6(8) As Kenergy has no stock authorized, issued, or outstanding, no dividends have been paid during the five previous fiscal years.

Section 6(9)

Attachments B and C to this Exhibit contain Kenergy's detailed income statement and balance sheet.

EXHIBIT 1

FINANCIAL EXHIBITS FOR KENERGY
NOTES EXECUTED
AS OF FEBRUARY 29, 2004

LINE NO.	NOTE NUMBER	DATE OF ISSUE	PRINCIPAL BALANCE	DATE OF MATURITY	RATE OF INTEREST	PAYABLE IN FAVOR OF
1	4050	07/21/70	\$17,574.33	2005	2.00%	U.S. Government
2	B060	07/30/71	\$20,444.39	2006	2.00%	U.S. Government
3	B062	07/30/71	\$21,851.32	2006	2.00%	U.S. Government
4	B070	06/16/72	\$47,883.35	2007	2.00%	U.S. Government
5	B072	06/16/72	\$48,800.58	2007	2.00%	U.S. Government
6	1B150	05/06/81	\$858,371.97	2016	5.00%	U.S. Government
7	1B152	05/06/81	\$858,371.97	2016	5.00%	U.S. Government
8	1B160	02/03/84	\$985,313.43	2019	5.00%	U.S. Government
9	1B162	02/03/84	\$985,313.43	2019	5.00%	U.S. Government
10	1B170	12/05/86	\$1,233,760.63	2021	5.00%	U.S. Government
11	1B172	12/05/86	\$1,233,760.63	2021	5.00%	U.S. Government
12	1B180	06/23/88	\$1,297,815.70	2023	5.00%	U.S. Government
13	1B182	06/23/88	\$1,297,815.70	2023	5.00%	U.S. Government
14	1B190	10/29/90	\$1,492,959.33	2025	5.00%	U.S. Government
15	1B192	06/29/92	\$1,492,959.33	2027	5.00%	U.S. Government
16	1B200	01/28/93	\$1,608,491.13	2028	5.00%	U.S. Government
17	1B201	01/28/93	\$429.35	2028	5.00%	U.S. Government
18	1B205	01/28/93	\$1,608,920.54	2029	5.00%	U.S. Government
19	1B210	12/14/94	\$1,522,334.20	2029	5.00%	U.S. Government
20	1B211***	12/14/94	\$432.42	2029	1.12%	U.S. Government
21	1B215***	12/14/94	\$1,472,907.04	2029	1.12%	U.S. Government
22	1B220	07/01/97	\$1,848,250.76	2032	4.62%	U.S. Government
23	1B225	07/01/97	\$1,844,428.07	2032	4.50%	U.S. Government
24	4240	03/11/70	\$20,711.93	2005	2.00%	U.S. Government
25	B250	06/10/72	\$34,330.27	2007	2.00%	U.S. Government
26	B252	06/10/72	\$34,040.08	2007	2.00%	U.S. Government
27	1B320	07/14/80	\$745,664.47	2015	5.00%	U.S. Government
28	1B322	07/14/80	\$745,664.47	2015	5.00%	U.S. Government
29	1B330	06/01/82	\$547,420.14	2017	5.00%	U.S. Government
30	1B333	06/01/82	\$571,298.74	2017	5.00%	U.S. Government
31	1B340	11/26/86	\$765,318.62	2021	5.00%	U.S. Government
32	1B342	11/26/86	\$765,318.62	2021	5.00%	U.S. Government
33	1B350	05/24/89	\$1,101,590.40	2024	5.00%	U.S. Government
34	1B353	05/24/89	\$1,131,090.86	2024	5.00%	U.S. Government

EXHIBIT 1

FINANCIAL EXHIBITS FOR KENERGY
NOTES EXECUTED
AS OF FEBRUARY 29, 2004

LINE NO.	NOTE NUMBER	DATE OF ISSUE	PRINCIPAL BALANCE	DATE OF MATURITY	RATE OF INTEREST	PAYABLE IN FAVOR OF
35	1B360	04/21/93	\$1,125,533.79	2029	5.00%	U.S. Government
36	1B366	04/21/93	\$1,155,278.57	2029	5.00%	U.S. Government
37	1B370	08/12/98	\$2,481,295.06	2033	5.12%	U.S. Government
38	1B375	01/19/99	\$402,879.78	2034	5.00%	U.S. Government
39	1B376	02/10/99	\$379,181.02	2034	5.00%	U.S. Government
40	1B377	05/12/99	\$853,157.22	2034	5.00%	U.S. Government
41	1B378	05/26/99	\$540,332.90	2034	5.00%	U.S. Government
42	1B570	06/19/99	\$301,448.88	2034	5.00%	U.S. Government
43	1B380***	02/01/01	\$18,638,217.58	2036	1.370%	U.S. Government
44	1B381***	02/01/01	\$11,915,913.92	2036	1.120%	U.S. Government
45	1B382***	02/01/01	\$6,329,212.48	2036	1.120%	U.S. Government
46	1B383***	02/01/01	\$8,276,846.27	2036	1.000%	U.S. Government
47	1B384***	02/01/01	\$9,845,703.85	2036	1.370%	U.S. Government
48	2068*	07/01/03	\$6,000,000.00	2037	0.952%	FFB
49	Economic Dev Loan	01/18/00	\$291,671.94	2009	0.00%	U.S. Government
50	Economic Dev Loan	03/08/00	\$299,960.55	2009	0.00%	U.S. Government
51	Economic Dev Loan	08/30/00	\$140,740.80	2010	0.00%	U.S. Government
52	Economic Dev Loan	06/20/01	\$362,499.93	2011	0.00%	U.S. Government
53	Economic Dev Loan	01/20/04	\$450,000.00	2013	0.00%	U.S. Government
54	Economic Dev Loan	02/20/04	\$450,000.00	2014	0.00%	U.S. Government
55	Cushion of credit	n/a	(\$10,826,490.52)	n/a	5.00%	U.S. Government
56	**ML0501T1	07/01/97	\$1,644,927.86	2032	Variable	COBANK**
57	**ML0501T2	12/05/86	\$1,233,331.00	2019	Variable	COBANK
58	**ML0501T4	10/05/88	\$1,239,496.00	2022	Variable	COBANK
59	**ML0501T5	02/03/84	\$1,040,963.00	2017	Variable	COBANK
60	**ML0501T6	10/05/93	\$1,428,242.71	2028	Variable	COBANK
61	**ML0501T7	01/05/94	\$1,348,023.84	2029	Variable	COBANK
62	**ML0501T8	06/15/92	\$1,435,593.00	2025	Variable	COBANK
63	**ML0501T10	10/02/01	\$3,661,466.11	2026	Variable	COBANK
64	ML0501T11	09/19/03	\$6,278,002.78	2014	4.94%	COBANK
65	**9000001	06/10/72	\$29,007.06	2007	Variable	CFC**
66	**9001001	04/10/73	\$56,116.80	2008	Variable	CFC
67	**9002001	02/16/74	\$82,017.65	2009	Variable	CFC
68	**9009001	09/10/87	\$690,264.36	2021	Variable	CFC

FINANCIAL EXHIBITS FOR KENERGY
 NOTES EXECUTED
 AS OF FEBRUARY 29, 2004

LINE NO.	NOTE NUMBER	DATE OF ISSUE	PRINCIPAL BALANCE	DATE OF MATURITY	RATE OF INTEREST	PAYABLE IN FAVOR OF
69	**9011001	09/16/96	\$991,519.23	2024	Variable	CFC
70	**9012001	09/25/98	\$1,500,731.52	2029	Variable	CFC
	TOTAL		<u>\$110,334,725.14</u>	(1)		

* The FFB interest term can be fixed for terms 90 days to 35 years. Currently these notes have a 90 day fixed rate.

** Supplemental lender's interest term can be either a variable or fixed rate. Currently these notes have variable interest rates.

*** The RUS interest term can be fixed for terms from 1-35 years. Currently these notes have a one year fixed rate.

Interest paid on the above notes was \$3,293,847 for the twelve months ending 2/29/2004.

(1) RUS Form 7, Part C, Line 41 plus 45.

**KENERGY
STATEMENT OF OPERATIONS**

ITEM (a)	TWELVE MONTHS FEBRUARY 29, 2004 (b)
1. Operating Revenue and Patronage Capital.....	\$279,422,560
2. Power Production Expense.....	
3. Cost of Purchased Power.....	\$253,413,746
4. Transmission Expense.....	
5. Distribution Expense - Operation.....	\$3,245,768
6. Distribution Expense - Maintenance.....	\$6,344,659
7. Consumer Accounts Expense.....	\$2,472,836
8. Customer Service and Informational Expense.....	\$123,940
9. Sales Expense.....	\$168,916
10. Administrative and General Expense.....	\$2,438,027
11. Total Operation & Maintenance Expense (2 thru 10).....	\$268,207,892
12. Depreciation and Amortization Expense.....	\$5,324,493
13. Tax Expense - Property & Gross Receipts.....	
14. Tax Expense - Other.....	\$287,988
15. Interest on Long-Term Debt.....	\$3,286,851
16. Interest Charged to Construction - Credit.....	(\$88,658)
17. Interest Expense - Other.....	\$140,162
18. Other Deductions.....	\$52,863
19. Total Cost of Electric Service (11 thru 18).....	\$277,211,591
20. Patronage Capital & Operating Margins (1 minus 19).....	\$2,210,969
21. Non-Operating Margins - Interest.....	\$959,420
22. Allowance for Funds Used During Construction.....	
23. Income (Loss) from Equity Investments.....	(\$1,806)
24. Non-Operating Margins - Other.....	(\$58,170)
25. Generation and Transmission Capital Credits.....	
26. Other Capital Credits & Patronage Dividends.....	\$75,650
27. Extraordinary Items....(See Page 2, Part D).....	
28. Patronage Capital or Margins (20 thru 26).....	\$3,186,063

EXHIBIT 1

FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION	
	KENERGY	
	PERIOD ENDED	RUS USE ONLY
INSTRUCTIONS - See RUS Bulletin 1717B-2	FEBRUARY 29, 2004	

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 190,869,208	30. Memberships..... 291,780
2. Construction Work in Progress..... 3,592,193	31. Patronage Capital..... 53,967,708
3. Total Utility Plant (1+2)..... 194,461,401	32. Operating Margins - Prior Years..... 78,651
4. Accum. Provision for Depreciation and Amort..... 39,086,833	33. Operating Margins - Current Years..... 943,162
5. Net Utility Plant (3-4)..... 155,374,568	34. Non-Operating Margins..... 106,320
6. Non-Utility Property (Net)..... 41,280	35. Other Margins and Equities..... 2,325,945
7. Investments in Subsidiary Companies.....	36. Total Margins & Equities (30 thru 35)..... 57,713,566
8. Invest. In Assoc.Org.-Patronage Capital..... 684,311	37. Long-Term Debt - RUS (Net)..... 82,933,848
9. Invest. In Assoc.Org.-Other-General Funds..... 5,000	(Payments-Unapplied \$10,826,490)
10. Invest. In Assoc.Org.-Other-Nongeneral Funds..... 3,812,793	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 1,994,873
11. Investments in Economic Development Projects..... 1,994,873	39. Long-Term Debt Other - REA Guaranteed
12. Other Investments..... 44,183	40. Long-Term Debt - Other (Net)..... 21,652,061
13. Special Funds..... 1,809,794	41. Total Long-Term Debt (37 thru 40)..... 106,580,782
14. Total Other Property and Investments (6 thru 13).... 8,392,234	42. Obligations Under Capital Leases.....
15. Cash - General Funds..... 297,061	43. Accumulated Operating Provisions..... 3,392,539
16. Cash - Construction Funds - Trustee.....	44. Total Other Noncurrent Liabilites (42 + 43).... 3,392,539
17. Special Deposits.....	45. Notes Payable..... 3,753,943
18. Temporary Investments..... 2,831,663	46. Accounts Payable..... 19,482,953
19. Notes Receivable (Net).....	47. Consumer Deposits..... 2,356,275
20. Accounts Receivable - Sales of Energy (Net)..... 18,341,935	48. Other Current and Accrued Liabilities..... 1,540,294
21. Accounts Receivable - Other (Net)..... 456,455	49. Total Current & Accrued Liabilities (45 thru 48)..... 27,133,465
22. Materials and Supplies - Electric and Other..... 1,749,515	50. Deferred Credits..... 685,408
23. Prepayments..... 694,919	51. Accumulated Deferred Income Taxes.....
24. Other Current and Accrued Assets..... 6,925,629	52. Total Liabilities and Other Credits
25. Total Current and Accrued Assets (15 thru 24)..... 31,297,178	(36 + 41 + 44 + 49 thru 51)..... 195,505,760
26. Regulatory Assets.....	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
27. Other Deferred Debits..... 441,780	53. Balance Beginning of Year.....
28. Accumulated Deferred Income Taxes.....	54. Amount Received This Year(Net).....
29. Total Assets and Other Debits (5+14+25 thru 28)..... 195,505,760	55. Total Contributions in Aid of Construction.....

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.
 (IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)



P.O. Box 18 ♦ 6402 Old Corydon Road
Henderson, Kentucky 42419-0018
(270) 826-3991 ♦ FAX (270) 826-3999
(800) 844-4832

KENERGY CORP.

RESOLUTION OF BOARD OF DIRECTORS

REFINANCING OF RURAL UTILITIES SERVICE 5% NOTES

WHEREAS, a refinancing of Rural Utilities Service (RUS) secured debt is permitted under Article II, Section 2.02 of the RUS mortgage,

WHEREAS, Kenergy Corp. (Kenergy) has approximately \$28 million of RUS fixed 5% notes with maturities ranging from 11 to 31 years,

WHEREAS, in the current interest rate environment it appears that Kenergy will realize a savings if it replaces said RUS 5% notes with CoBank or CFC notes,

WHEREAS, the interest rate changes daily and the exact date of the loan closing is undeterminable because Kentucky Public Service Commission (KPSC) approval is required,

NOW THEREFORE BE IT RESOLVED, that Dean Stanley, President/CEO, is authorized and directed, on behalf of Kenergy, to seek KPSC approval for refinancing all or a portion of said RUS 5% notes, as determined by the President/CEO and approved by KPSC.

BE IT FURTHER RESOLVED, that the effective interest rate on these new notes, exclusive capital credit retirements, shall be 5% or less, the schedule for the new note payments shall be substantially the same as the current payment schedule, and the stated interest rate shall be fixed with no interest repricing risk.

I, Debra Hayden, Assistant Corporate Secretary of Kenergy Corp., do hereby certify that the above is a true and correct copy of a resolution adopted at the meeting of the Board of Directors of Kenergy Corp. on March 9, 2004, at which a quorum was present and voted.

SEAL

A handwritten signature in cursive script that reads "Debra Hayden". The signature is written in black ink and is positioned above a horizontal line.

Debra Hayden, Assistant Corporate Secretary



900 Circle 75 Parkway
Suite 1400
Atlanta, Georgia 30339
Phone: (770) 618-3200
(800) 255-7429
Fax: (770) 618-3202

March 12, 2004

Mr. Dean Stanley
President & CEO
Kenergy Corporation
6402 Old Corydon Road
Henderson, KY 42420

Dear Dean:

The purpose of this letter is to confirm the agreement between CoBANK, ACB ("CoBank") and Kenergy Corporation (the "Company") regarding the forward setting of a fixed interest rate under a loan to be made on or before April 9, 2004. The terms of our agreement are as follows:

1. Amount to be fixed: \$1,491,370.00
2. Fixed Rate: 4.64% per annum.
3. Date fixed rate period commences: March 12, 2004
4. Date forward fixed rate expires: April 9, 2004
5. Date fixed rate period ends: April 20, 2015 (or next business day).
6. Amount to be fixed amortizes over the fixed rate period as follows: Monthly level principal and interest payments commencing May 20, 2004 and ending on or April 20, 2015.
7. Broken Funding Charge: The Company agrees to pay to CoBank, on demand, a broken funding charge in the amount specified below if the Company does not, for any reason whatsoever (including, without limitation, the Company's failure to satisfy applicable conditions precedent or the underlying loan commitment having been suspended or canceled), borrow all of the amount to be fixed hereunder on the first day of the fixed rate period. The broken funding charge shall be in an amount (calculated in accordance with methodology established by CoBank) equal to the present value of the sum of all losses and expenses incurred by CoBank in retiring, liquidating, or reallocating any debt, obligation, or cost incurred or allocated by CoBank to fund or hedge the forward fixed rate.

For our records, please acknowledge our agreement by signing in the space provided below and by returning this confirmation by facsimile to my attention prior to the close of business today. CoBank's facsimile number is 303-224-2520.

AGREED AND ACCEPTED as of the date shown above:

CoBANK, ACB

By: Bill LaJuca
Title: Vice President

By: Steve Thompson
Title: Vice President - Finance



900 Circle 75 Parkway
Suite 1400
Atlanta, Georgia 30339
Phone: (770) 618-3200
(800) 255-7429
Fax: (770) 618-3202

March 12, 2004

Mr. Dean Stanley
President & CEO
Kenergy Corporation
6402 Old Corydon Road
Henderson, KY 42420

Dear Dean:

The purpose of this letter is to confirm the agreement between CoBANK, ACB ("CoBank") and Kenergy Corporation (the "Company") regarding the forward setting of a fixed interest rate under a loan to be made on or before April 9, 2004. The terms of our agreement are as follows:

1. Amount to be fixed: \$1,716,790.00
2. Fixed Rate: 4.77% per annum.
3. Date fixed rate period commences: March 12, 2004
4. Date forward fixed rate expires: April 9, 2004
5. Date fixed rate period ends: April 20, 2016 (or next business day).
6. Amount to be fixed amortizes over the fixed rate period as follows: Monthly level principal and interest payments commencing May 20, 2004 and ending on or April 20, 2016.
7. Broken Funding Charge: The Company agrees to pay to CoBank, on demand, a broken funding charge in the amount specified below if the Company does not, for any reason whatsoever (including, without limitation, the Company's failure to satisfy applicable conditions precedent or the underlying loan commitment having been suspended or canceled), borrow all of the amount to be fixed hereunder on the first day of the fixed rate period. The broken funding charge shall be in an amount (calculated in accordance with methodology established by CoBank) equal to the present value of the sum of all losses and expenses incurred by CoBank in retiring, liquidating, or reallocating any debt, obligation, or cost incurred or allocated by CoBank to fund or hedge the forward fixed rate.

For our records, please acknowledge our agreement by signing in the space provided below and by returning this confirmation by facsimile to my attention prior to the close of business today. CoBank's facsimile number is 303-224-2520.

AGREED AND ACCEPTED as of the date shown above:

CoBANK, ACB

By: Bill LaDuca
Title: Vice President

By: Steve Thompson
Title: Vice President - Finance



900 Circle 75 Parkway
Suite 1400
Atlanta, Georgia 30339
Phone: (770) 618-3200
(800) 255-7429
Fax: (770) 618-3202

March 12, 2004

Mr. Dean Stanley
President & CEO
Kenergy Corporation
6402 Old Corydon Road
Henderson, KY 42420

Dear Dean:

The purpose of this letter is to confirm the agreement between CoBANK, ACB ("CoBank") and Kenergy Corporation (the "Company") regarding the forward setting of a fixed interest rate under a loan to be made on or before April 9, 2004. The terms of our agreement are as follows:

1. Amount to be fixed: \$1,118,748.00
2. Fixed Rate: 4.89% per annum.
3. Date fixed rate period commences: March 12, 2004
4. Date forward fixed rate expires: April 9, 2004
5. Date fixed rate period ends: April 20, 2017 (or next business day).
6. Amount to be fixed amortizes over the fixed rate period as follows: Monthly level principal and interest payments commencing May 20, 2004 and ending on or April 20, 2017.
7. Broken Funding Charge: The Company agrees to pay to CoBank, on demand, a broken funding charge in the amount specified below if the Company does not, for any reason whatsoever (including, without limitation, the Company's failure to satisfy applicable conditions precedent or the underlying loan commitment having been suspended or canceled), borrow all of the amount to be fixed hereunder on the first day of the fixed rate period. The broken funding charge shall be in an amount (calculated in accordance with methodology established by CoBank) equal to the present value of the sum of all losses and expenses incurred by CoBank in retiring, liquidating, or reallocating any debt, obligation, or cost incurred or allocated by CoBank to fund or hedge the forward fixed rate.

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Title: Vice President

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March 12, 2004

Mr. Dean Stanley
President & CEO
Kenergy Corporation
6402 Old Corydon Road
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Dear Dean:

The purpose of this letter is to confirm the agreement between CoBANK, ACB ("CoBank") and Kenergy Corporation (the "Company") regarding the forward setting of a fixed interest rate under a loan to be made on or before April 9, 2004. The terms of our agreement are as follows:

1. Amount to be fixed: \$1,954,881.00
2. Fixed Rate: 4.97% per annum.
3. Date fixed rate period commences: March 12, 2004
4. Date forward fixed rate expires: April 9, 2004
5. Date fixed rate period ends: April 20, 2018 (or next business day).
6. Amount to be fixed amortizes over the fixed rate period as follows: Monthly level principal and interest payments commencing May 20, 2004 and ending on or April 20, 2018.
7. Broken Funding Charge: The Company agrees to pay to CoBank, on demand, a broken funding charge in the amount specified below if the Company does not, for any reason whatsoever (including, without limitation, the Company's failure to satisfy applicable conditions precedent or the underlying loan commitment having been suspended or canceled), borrow all of the amount to be fixed hereunder on the first day of the fixed rate period. The broken funding charge shall be in an amount (calculated in accordance with methodology established by CoBank) equal to the present value of the sum of all losses and expenses incurred by CoBank in retiring, liquidating, or reallocating any debt, obligation, or cost incurred or allocated by CoBank to fund or hedge the forward fixed rate.

For our records, please acknowledge our agreement by signing in the space provided below and by returning this confirmation by facsimile to my attention prior to the close of business today. CoBank's facsimile number is 303-224-2520.

AGREED AND ACCEPTED as of the date shown above:

CoBANK, ACB

By: Bill LaDuce
Title: Vice President

By: Steve Thompson
Title: Vice President Finance

COBANK

Rural America's Cooperative Bank®

Kenergy Corporation

RUS Refinancing Term Loan \$6,281,789

March 10, 2004

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Executive Summary

Kenergy Corporation (Kenergy) currently holds approximately \$6,281,789 in RUS debt at an interest rate of 5%, which would qualify for CoBank refinancing at fixed rates below 5%. CoBank recommends refinancing this amount under four separate loans in the amounts of \$1,491,370, \$1,716,790, \$1,118,748 and \$1,954,881. The first loan in the amount of \$1,491,370 would have a tenor of 11 years and a lifetime fixed rate of 4.64%. The second loan in the amount of \$1,716,790 would have a tenor of 12 years and a lifetime fixed rate of 4.77%. The third loan in the amount of \$1,118,748 would have a tenor of 13 years and a lifetime fixed rate of 4.89%. The fourth loan in the amount of \$1,954,881 would have a tenor of 14 years and a lifetime fixed rate of 4.97%. At such rates and tenors, CoBank's patronage refunds would result in effective rates of approximately 3.98%, 4.14%, 4.28% and 4.34%, respectively. The total projected savings for the four loans amounts to \$473,026 with a present value of \$270,015. CoBank requests Kenergy's consideration as lender for these loans.

We have enclosed for your review a profile of existing eligible notes including a comparison of savings opportunity (Tab 1), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing for the \$1,491,370 loan (Tab 2), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing for the \$1,716,790 loan (Tab 3), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing for the \$1,118,748 loan (Tab 4), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing for the \$1,954,881 loan (Tab 5) and an analysis of interest cost under an RUS status quo scenario (Tab 6).

This booklet is not a commitment to lend or an offer to make a loan. A commitment shall be in the form of a loan agreement upon receipt of an acceptable application, resolution, and other documentation as required by CoBank. Thank you for your consideration.

EXHIBIT 2

RUS notes proposed for refinancing:

<u>Note #</u>	<u>Interest Rate</u>	<u>Outstanding Bal. (4/30/04)</u>	<u>Remaining Life (Yrs)</u>
1B320	5.00%	\$745,685	11.09
1B322	5.00%	<u>\$745,685</u>	11.09
Subtotal			\$1,491,370
1B150	5.00%	\$858,395	11.84
1B152	5.00%	<u>\$858,395</u>	11.84
Subtotal			\$1,716,790
1B330	5.00%	\$547,434	12.84
1B333	5.00%	<u>\$571,314</u>	12.84
Subtotal			\$1,118,748
1B160	5.00%	\$977,440	14.59
1B162	5.00%	<u>\$977,441</u>	14.59
Subtotal			\$1,954,881
Totals		<u>\$6,281,789</u>	<u>\$6,281,789</u>

CoBank proposes refinancing and consolidating the above RUS notes under four separate loans as follows:

Loan 1 would be comprised of RUS notes 1B320 and 1B322 totaling \$1,491,370, having a tenor of 11-years and a nominal interest rate of 4.64% (net effective rate of 3.98%).

Loan 2 would be comprised of RUS notes 1B150 and 1B152 totaling \$1,716,790, having a tenor of 12-years and a nominal interest rate of 4.77% (net effective rate of 4.14%).

Loan 3 would be comprised of RUS notes 1B330 and 1B333 totaling \$1,118,748, having a tenor of 13-years and a nominal interest rate of 4.89% (net effective rate of 4.28%).

Loan 4 would be comprised of RUS notes 1B160 and 1B162 totaling \$1,954,881, having a tenor of 14-years and a nominal interest rate of 4.97% (net effective rate of 4.34%).

Interest Savings (over life of notes):

<u>Total Interest RUS @ 5.00%</u>	<u>Total Interest CoBank</u>	<u>Total Savings</u>
\$2,208,496	\$2,104,916	\$103,580
CoBank Cash Patronage Refund:		\$110,834
CoBank Stock Patronage Refund:		<u>\$258,612</u>
<u>Total Life-Time-Benefit:</u>		<u>\$473,026</u>

EXHIBIT 2

There are no prepayment penalties arising from prepayment of RUS debt. CoBank would document this transaction using outside counsel to be paid by Kenergy. The estimated cost is \$3,000 and is included in the loan analysis under tab 3 and tab 4 (shown in the line entitled Estimated Legal Fees). The documentation cost is considered in the effective interest rate analysis.



Projection of Cash Flows and Effective Interest Rate

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

The capital plan, patronage rate and equity retirements may be changed at the discretion of the bank's board of directors. The following projects are intended for illustrative purposes only, are not intended to represent a commitment to a specific interest rate, and will not become part of any loan documentation.

The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Kenergy Corporation
Schedule	RUS Refinancing Loan
Account Officer	Bill LaDuca
Prepared by:	Bill LaDuca
Quote Date	March 10, 2004
Origination Date	April 30, 2004
Amortization Start Date	April 30, 2004
Loan Amount	\$1,491,370
Years to Maturity	11
Nominal Interest Rate	4.64%
Estimated Legal Fees	0
Payments/Year	12
Amort Method	Level Payment
Days per Year	365
Payment Amount	\$14,447

Nominal Interest Rate	4.64%
Net Effective Interest Rate	3.98%
Reduction of Interest Rate	0.66%
Patronage Rate	0.85%
% Cash Patronage	30.00%
Initial Capital Purchase Amount	\$0
Target Equity	10.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Prior 5 Year Avg Loan Balance	0

Borrower: Kensery Corporation Quote Date: March 10, 2004 Origination Date: April 30, 2004 Schedule: RUS Refinancing Loan Effective Interest Rate: 3.98%													
Year	A	B	C	D	E	F	G	H	I	J	K	L	M
	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	5 Year Avg Loan Balance	Target Equity
2004	1,491,370	70,186	45,391	0	2,494	0	1,378,286	5,819	5,819	1,421,184	977,910	195,582	19,558
2005	0	109,755	63,611	0	3,496	0	-169,870	8,157	13,976	1,311,429	1,370,921	469,766	46,977
2006	0	114,957	58,408	0	3,210	0	-170,156	7,490	21,465	1,196,471	1,258,802	721,527	72,153
2007	0	120,406	52,959	0	2,910	0	-170,455	6,791	28,257	1,076,065	1,141,368	949,800	94,980
2008	0	126,105	47,261	0	2,597	0	-170,768	6,060	34,317	949,960	1,018,552	1,153,511	115,351
2009	0	132,091	41,275	0	2,268	0	-171,097	5,293	39,610	817,869	889,547	1,135,838	113,584
2010	0	138,352	35,014	0	1,924	0	-171,442	4,490	44,100	679,517	754,611	1,012,576	101,258
2011	0	144,910	28,456	0	1,564	0	-171,802	3,649	47,749	534,608	613,279	883,471	88,347
2012	0	151,770	21,596	0	1,187	0	-172,179	2,769	50,518	382,838	465,431	748,284	74,828
2013	0	158,972	14,394	0	791	0	-172,575	1,846	52,364	223,866	310,208	606,615	60,662
2014	0	166,507	6,858	0	377	0	-172,989	879	53,243	57,358	147,812	458,268	45,827
2015	0	57,358	549	0	30	7,416	-50,461	70	45,897	0	11,833	309,712	30,971
2016	0	0	0	0	0	14,926	14,926	0	30,971	0	0	187,057	18,706
2017	0	0	0	0	0	12,266	12,266	0	18,706	0	0	93,971	9,397
2018	0	0	0	0	0	9,309	9,309	0	9,397	0	0	31,929	3,193
2019	0	0	0	0	0	6,204	6,204	0	3,193	0	0	2,367	237
2020	0	0	0	0	0	2,956	2,956	0	237	0	0	0	0
2021	0	0	0	0	0	237	237	0	0	0	0	0	0
TOTAL	\$1,491,370	\$1,491,370	\$415,773	\$0	\$22,849	\$53,314							



Projection of Cash Flows and Effective Interest Rate

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

The capital plan, patronage rate and equity retirements may be changed at the discretion of the bank's board of directors. The following projects are intended for illustrative purposes only, are not intended to represent a commitment to a specific interest rate, and will not become part of any loan documentation.

The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Kenergy Corporation
Schedule	RUS Refinancing Loan
Account Officer	Bill LaDuca
Prepared by:	Bill LaDuca
Quote Date	March 10, 2004
Origination Date	April 30, 2004
Amortization Start Date	April 30, 2004
Loan Amount	\$1,716,790
Years to Maturity	12
Nominal Interest Rate	4.77%
Estimated Legal Fees	1,500
Payments/Year	12
Amort Method	Level Payment
Days per Year	365
Payment Amount	\$15,838

Nominal Interest Rate	4.77%
Net Effective Interest Rate	4.14%
Reduction of Interest Rate	0.63%
Patronage Rate	0.85%
% Cash Patronage	30.00%
Initial Capital Purchase Amount	\$0
Target Equity	10.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Prior 5 Year Avg Loan Balance	0

Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year		5 Year		Target Equity
											Avg Loan Balance	Balance	Avg Loan Balance	Balance	
	A	B	C	D	E	F	G	H	I	J	K	L	M		
2004	1,716,790	72,880	55,326	0	2,876	0	1,591,461	6,712	6,712	1,643,910	1,128,028	225,606	22,561		
2005	0	114,138	75,921	0	4,059	0	-186,000	9,470	16,182	1,529,772	1,591,632	543,932	54,393		
2006	0	119,703	70,356	0	3,761	0	-186,298	8,776	24,958	1,410,069	1,474,965	838,925	83,892		
2007	0	125,539	64,520	0	3,449	0	-186,610	8,048	33,006	1,284,530	1,352,610	1,109,447	110,945		
2008	0	131,651	58,408	0	3,122	0	-186,936	7,286	40,292	1,152,879	1,224,491	1,354,345	135,435		
2009	0	138,079	51,980	0	2,779	0	-187,280	6,484	46,776	1,014,800	1,089,723	1,346,684	134,668		
2010	0	144,811	45,247	0	2,419	0	-187,640	5,644	52,420	869,989	948,385	1,218,075	121,807		
2011	0	151,872	38,187	0	2,041	0	-188,017	4,763	57,183	718,117	800,565	1,083,195	108,319		
2012	0	159,267	30,792	0	1,646	0	-188,413	3,841	61,024	538,850	645,530	941,779	94,178		
2013	0	167,042	23,017	0	1,230	0	-188,828	2,871	63,895	391,808	482,534	793,387	79,339		
2014	0	175,186	14,872	0	795	0	-189,264	1,855	65,750	216,621	311,791	637,801	63,780		
2015	0	183,728	6,331	0	338	1,970	-187,750	790	64,570	32,893	132,724	474,629	47,463		
2016	0	32,893	204	0	11	17,107	-15,979	25	47,488	0	4,268	315,369	31,537		
2017	0	0	0	0	0	15,951	15,951	0	31,537	0	0	186,263	18,626		
2018	0	0	0	0	0	12,911	12,911	0	18,626	0	0	89,757	8,976		
2019	0	0	0	0	0	9,651	9,651	0	8,976	0	0	27,398	2,740		
2020	0	0	0	0	0	6,236	6,236	0	2,740	0	0	854	85		
2021	0	0	0	0	0	2,654	2,654	0	85	0	0	0	0		
2022	0	0	0	0	0	85	85	0	0	0	0	0	0		
TOTAL	\$1,716,790	\$1,716,790	\$535,160	\$0	\$28,528	\$66,565		\$66,565							



Projection of Cash Flows and Effective Interest Rate

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

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The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Kenergy Corporation
Schedule	RUS Refinancing Loan
Account Officer	Bill LaDuca
Prepared by:	Bill LaDuca
Quote Date	March 10, 2004
Origination Date	April 30, 2004
Amortization Start Date	April 30, 2004
Loan Amount	\$1,118,748
Years to Maturity	13
Nominal Interest Rate	4.89%
Estimated Legal Fees	1,500
Payments/Year	12
Amort Method	Level Payment
Days per Year	365
Payment Amount	\$9,792

Nominal Interest Rate	4.89%
Net Effective Interest Rate	4.28%
Reduction of Interest Rate	0.61%
Patronage Rate	0.85%
% Cash Patronage	30.00%
Initial Capital Purchase Amount	\$0
Target Equity	10.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Prior 5 Year Avg Loan Balance	0

Borrower: Kenergy Corporation
Quote Date: March 10, 2004
Origination Date: April 30, 2004

Schedule: RUS Refinancing Loan
Effective Interest Rate: 4.28%

Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	5 Year Avg Loan Balance	Target Equity
	A	B	C	D	E	F	G	H	I	J	K	L	M
2004	1,118,748	42,300	37,532	0	1,878	0	1,040,794	4,383	4,383	1,076,448	736,594	147,319	14,732
2005	0	66,347	51,152	0	2,667	0	-114,831	6,224	10,607	1,010,101	1,046,050	356,529	35,653
2006	0	69,665	47,834	0	2,494	0	-115,004	5,820	16,427	940,436	978,196	552,168	55,217
2007	0	73,149	44,350	0	2,313	0	-115,186	5,396	21,823	867,287	906,948	733,558	73,356
2008	0	76,801	40,698	0	2,122	0	-115,377	4,952	26,775	790,486	832,262	900,010	90,001
2009	0	80,648	36,851	0	1,922	0	-115,577	4,484	31,259	709,838	753,591	903,410	90,341
2010	0	84,682	32,817	0	1,711	0	-115,788	3,993	35,252	625,156	671,111	828,422	82,842
2011	0	88,917	28,582	0	1,490	0	-116,008	3,478	38,730	536,239	584,506	749,684	74,968
2012	0	93,357	24,142	0	1,259	0	-116,240	2,937	41,668	442,882	493,694	667,033	66,703
2013	0	98,032	19,467	0	1,015	0	-116,484	2,369	44,036	344,850	398,091	580,199	58,020
2014	0	102,935	14,564	0	759	0	-116,739	1,772	45,808	241,915	297,832	489,047	48,905
2015	0	108,083	9,416	0	491	0	-117,008	1,146	46,954	133,833	192,559	393,336	39,334
2016	0	113,482	4,017	0	209	7,620	-109,669	489	39,822	20,351	82,145	292,864	29,286
2017	0	20,351	128	0	7	10,536	-9,936	16	29,302	0	2,621	194,649	19,465
2018	0	0	0	0	0	9,837	9,837	0	19,465	0	0	115,031	11,503
2019	0	0	0	0	0	7,962	7,962	0	11,503	0	0	55,465	5,546
2020	0	0	0	0	0	5,957	5,957	0	5,546	0	0	16,953	1,695
2021	0	0	0	0	0	3,851	3,851	0	1,695	0	0	524	52
2022	0	0	0	0	0	1,643	1,643	0	52	0	0	0	0
2023	0	0	0	0	0	52	52	0	0	0	0	0	0
TOTAL	\$1,118,748	\$1,118,748	\$391,549	\$0	\$20,339	\$47,458		\$47,458					



Projection of Cash Flows and Effective Interest Rate

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

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The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Kenergy Corporation
Schedule	RUS Refinancing Loan
Account Officer	Bill LaDuca
Prepared by:	Bill LaDuca
Quote Date	March 10, 2004
Origination Date	April 30, 2004
Amortization Start Date	April 30, 2004
Loan Amount	\$1,954,881
Years to Maturity	14
Nominal Interest Rate	4.97%
Estimated Legal Fees	0
Payments/Year	12
Amort Method	Level Payment
Days per Year	365
Payment Amount	\$16,173

Nominal Interest Rate	4.97%
Net Effective Interest Rate	4.34%
Reduction of Interest Rate	0.63%
Patronage Rate	0.85%
% Cash Patronage	30.00%
Initial Capital Purchase Amount	\$0
Target Equity	10.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Prior 5 Year Avg Loan Balance	0

EXHIBIT 2

Borrower:		Kenergy Corporation											
Quote Date		March 10, 2004											
Origination Date		April 30, 2004											
		Schedule:											
		RUS Refinancing Loan											
		4.34%											
		Effective Interest Rate:											
Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired In Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	5 Year Avg Loan Balance	Target Equity
	A	B	C	D	E	F	G	H	I	J	K	L	M
2004	1,954,881	65,269	64,117	0	3,289	0	1,828,783	7,673	7,673	1,889,611	1,289,627	257,925	25,793
2005	0	102,501	91,579	0	4,699	0	-189,281	10,964	18,637	1,787,111	1,842,629	626,451	62,645
2006	0	107,713	86,367	0	4,431	0	-189,648	10,340	28,977	1,679,398	1,737,761	974,003	97,400
2007	0	113,190	80,890	0	4,150	0	-189,929	9,684	38,661	1,566,209	1,627,560	1,299,515	129,952
2008	0	118,935	75,145	0	3,856	0	-190,224	8,996	47,657	1,447,274	1,511,963	1,601,908	160,191
2009	0	124,993	69,087	0	3,545	0	-190,535	8,271	55,928	1,322,281	1,390,075	1,621,998	162,200
2010	0	131,348	62,731	0	3,219	0	-190,861	7,510	63,438	1,190,933	1,262,196	1,505,911	150,591
2011	0	138,027	56,032	0	2,876	0	-191,203	6,710	70,148	1,052,906	1,127,814	1,383,922	138,392
2012	0	145,035	49,044	0	2,516	0	-191,563	5,871	76,020	907,871	986,806	1,255,771	125,577
2013	0	152,420	41,659	0	2,137	0	-191,942	4,987	81,007	755,451	838,215	1,121,021	112,102
2014	0	160,170	33,909	0	1,740	0	-192,339	4,060	85,067	595,281	682,275	979,461	97,946
2015	0	168,315	25,765	0	1,322	0	-192,757	3,085	88,151	426,966	518,406	830,703	83,070
2016	0	176,863	17,217	0	883	5,081	-188,115	2,061	85,131	250,104	346,409	674,422	67,442
2017	0	185,866	8,213	0	421	17,689	-175,969	983	68,425	64,238	165,257	510,112	51,011
2018	0	64,238	659	0	34	17,414	-47,449	79	51,090	0	13,269	345,123	34,512
2019	0	0	0	0	0	16,578	16,578	0	34,512	0	0	208,668	20,867
2020	0	0	0	0	0	13,645	13,645	0	20,867	0	0	104,987	10,499
2021	0	0	0	0	0	10,368	10,368	0	10,499	0	0	35,705	3,571
2022	0	0	0	0	0	6,928	6,928	0	3,571	0	0	2,654	265
2023	0	0	0	0	0	3,305	3,305	0	0	0	0	0	0
2024	0	0	0	0	0	265	265	0	0	0	0	0	0
TOTAL	\$1,954,881	\$1,954,881	\$762,434	\$0	\$39,118	\$91,275	\$91,275	\$0	\$91,275				



Projection of Cash Flows of Existing RUS Loans

This projection is intended to display estimated cash flows of maintaining the select loans with RUS at an interest rate of 5%.

Borrower Name	Kenergy Corporation
Schedule	RUS Notes - Status Quo
Account Officer	Bill LaDuca
Prepared by:	Bill LaDuca
Quote Date	March 10, 2004
Origination Date	April 30, 2004
Amortization Start Date	April 30, 2004
Loan Amount	\$1,491,370
Years to Maturity	11
Nominal Interest Rate	5.00%
Origination Fee (\$)	0
Payments/Year	12
Amort Method	Irregular Payments
Days per Year	365
Payment Amount	\$0

Nominal Interest Rate	5.00%
Net Effective Interest Rate	5.00%
Reduction of Interest Rate	0.00%
Patronage Rate	0.00%
% Cash Patronage	0.00%
Initial Capital Purchase Amount	\$0
Target Equity	0.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Prior 5 Year Avg Loan Balance	0

EXHIBIT 2

Kenergy Corporation													
RUS Notes - Sixtus Quo													
5.00%													
Schedule Effective Interest Rate:													
Borrower:													
Quote Date: March 10, 2004													
Origination Date: April 30, 2004													
Year	A	B	C	D	E	F	G	H	I	J	K	L	M
	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	5 Year Avg Loan Balance	Target Equity
2004	1,491,370	75,683	48,674	0	0	0	1,367,013	0	0	1,415,687	973,130	194,626	0
2005	0	105,781	68,360	0	0	0	-174,141	0	0	1,309,906	1,367,194	468,065	0
2006	0	111,125	62,949	0	0	0	-174,074	0	0	1,198,781	1,238,982	719,861	0
2007	0	116,739	57,265	0	0	0	-174,004	0	0	1,082,042	1,145,302	948,922	0
2008	0	122,335	51,312	0	0	0	-173,647	0	0	959,708	1,026,244	1,154,170	0
2009	0	128,816	45,037	0	0	0	-173,853	0	0	830,891	900,733	1,139,691	0
2010	0	135,324	38,448	0	0	0	-173,772	0	0	695,567	768,956	1,020,043	0
2011	0	142,161	31,526	0	0	0	-173,687	0	0	553,406	630,521	894,351	0
2012	0	149,191	24,269	0	0	0	-173,460	0	0	404,215	485,385	762,368	0
2013	0	156,879	16,624	0	0	0	-173,503	0	0	247,336	332,472	623,613	0
2014	0	164,805	8,599	0	0	0	-173,404	0	0	82,531	171,986	477,864	0
2015	0	82,531	1,172	0	0	0	-83,703	0	0	0	23,434	328,760	0
2016	0	0	0	0	0	0	0	0	0	0	0	202,656	0
2017	0	0	0	0	0	0	0	0	0	0	0	105,578	0
2018	0	0	0	0	0	0	0	0	0	0	0	39,084	0
2019	0	0	0	0	0	0	0	0	0	0	0	4,687	0
2020	0	0	0	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	\$1,491,370	\$1,491,370	\$454,234	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



Projection of Cash Flows of Existing RUS Loans

This projection is intended to display estimated cash flows of maintaining the select loans with RUS at an interest rate of 5%.

Borrower Name	Kenergy Corporation
Schedule	RUS Notes - Status Quo
Account Officer	Bill LaDuca
Prepared by:	Bill LaDuca
Quote Date	March 10, 2004
Origination Date	April 30, 2004
Amortization Start Date	April 30, 2004
Loan Amount	\$1,716,790
Years to Maturity	12
Nominal Interest Rate	5.00%
Origination Fee (\$)	0
Payments/Year	12
Amort Method	Irregular Payments
Days per Year	365
Payment Amount	\$0

Nominal Interest Rate	5.00%
Net Effective Interest Rate	5.00%
Reduction of Interest Rate	0.00%
Patronage Rate	0.00%
% Cash Patronage	0.00%
Initial Capital Purchase Amount	\$0
Target Equity	0.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Prior 5 Year Avg Loan Balance	0

EXHIBIT 2

Year	Principal Advance A	Principal Payments B	Interest Payments C	Capital Purchases D	Cash Patronage E	Capital Retired in Cash F	Net Cash Flow G	Patronage		End of Period Loan Balance J	1 Year Avg Loan Balance K	5 Year Avg Loan Balance L	Target Equity M
								Paid as Capital H	Capital Balance I				
2004	1,716,790	80,498	56,141	0	0	0	1,580,151	0	0	1,636,292	1,122,419	224,484	0
2005	0	112,548	79,234	0	0	0	-191,782	0	0	1,523,744	1,584,684	541,420	0
2006	0	118,234	73,477	0	0	0	-191,711	0	0	1,405,510	1,469,549	835,330	0
2007	0	124,207	67,430	0	0	0	-191,637	0	0	1,281,303	1,348,597	1,105,050	0
2008	0	130,124	61,097	0	0	0	-191,222	0	0	1,151,179	1,221,948	1,349,439	0
2009	0	137,055	54,421	0	0	0	-191,476	0	0	1,014,124	1,088,419	1,342,639	0
2010	0	143,979	47,411	0	0	0	-191,390	0	0	870,144	948,213	1,215,345	0
2011	0	151,253	40,046	0	0	0	-191,299	0	0	718,891	800,925	1,081,620	0
2012	0	158,696	32,327	0	0	0	-191,023	0	0	560,195	646,532	941,207	0
2013	0	166,911	24,193	0	0	0	-191,104	0	0	393,284	483,850	793,588	0
2014	0	175,343	15,655	0	0	0	-190,999	0	0	217,940	313,102	638,524	0
2015	0	184,202	6,686	0	0	0	-190,888	0	0	33,739	133,728	475,627	0
2016	0	33,739	277	0	0	0	-34,015	0	0	0	5,531	316,549	0
2017	0	0	0	0	0	0	0	0	0	0	0	187,242	0
2018	0	0	0	0	0	0	0	0	0	0	0	90,472	0
2019	0	0	0	0	0	0	0	0	0	0	0	27,852	0
2020	0	0	0	0	0	0	0	0	0	0	0	1,106	0
2021	0	0	0	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	\$1,716,790	\$1,716,790	\$558,395	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



Projection of Cash Flows of Existing RUS Loans

This projection is intended to display estimated cash flows of maintaining the select loans with RUS at an interest rate of 5%.

Borrower Name	Kenergy Corporation
Schedule	RUS Notes - Status Quo
Account Officer	Bill LaDuca
Prepared by:	Bill LaDuca
Quote Date	March 10, 2004
Origination Date	April 30, 2004
Amortization Start Date	April 30, 2004
Loan Amount	\$1,118,748
Years to Maturity	13
Nominal Interest Rate	5.00%
Origination Fee (\$)	0
Payments/Year	12
Amort Method	Irregular Payments
Days per Year	365
Payment Amount	\$0

Nominal Interest Rate	5.00%
Net Effective Interest Rate	5.00%
Reduction of Interest Rate	0.00%
Patronage Rate	0.00%
% Cash Patronage	0.00%
Initial Capital Purchase Amount	\$0
Target Equity	0.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Prior 5 Year Avg Loan Balance	0

EXHIBIT 2

Borrower: Kenergy Corporation Quote Date: March 10, 2004 Origination Date: April 30, 2004 Schedule: RUS Notes - Status Quo Effective Interest Rate: 5.00%													
Year	A	B	C	D	E	F	G	H	I	J	K	L	M
	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	5 Year Avg Loan Balance	Target Equity
2004	1,118,748	47,027	36,674	0	0	0	1,035,047	0	0	1,071,722	733,229	146,646	0
2005	0	65,783	52,077	0	0	0	-117,861	0	0	1,005,938	1,041,545	354,955	0
2006	0	69,107	48,712	0	0	0	-117,819	0	0	936,832	974,250	549,805	0
2007	0	72,598	45,178	0	0	0	-117,775	0	0	864,234	903,555	730,516	0
2008	0	76,024	41,478	0	0	0	-117,501	0	0	788,210	829,552	896,426	0
2009	0	80,106	37,576	0	0	0	-117,682	0	0	708,104	751,517	900,084	0
2010	0	84,153	33,478	0	0	0	-117,631	0	0	623,952	669,569	825,689	0
2011	0	88,404	29,174	0	0	0	-117,578	0	0	535,548	583,482	747,535	0
2012	0	92,722	24,663	0	0	0	-117,385	0	0	442,826	493,266	665,477	0
2013	0	97,554	19,910	0	0	0	-117,464	0	0	345,271	398,193	579,205	0
2014	0	102,483	14,920	0	0	0	-117,402	0	0	242,788	298,396	488,581	0
2015	0	107,660	9,678	0	0	0	-117,338	0	0	135,129	193,557	393,379	0
2016	0	113,065	4,179	0	0	0	-117,244	0	0	22,064	83,588	293,400	0
2017	0	22,064	178	0	0	0	-22,242	0	0	0	3,567	195,460	0
2018	0	0	0	0	0	0	0	0	0	0	0	115,822	0
2019	0	0	0	0	0	0	0	0	0	0	0	56,142	0
2020	0	0	0	0	0	0	0	0	0	0	0	17,431	0
2021	0	0	0	0	0	0	0	0	0	0	0	713	0
2022	0	0	0	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	\$1,118,748	\$1,118,748	\$397,876	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



Projection of Cash Flows of Existing RUS Loans

This projection is intended to display estimated cash flows of maintaining the select loans with RUS at an interest rate of 5%.

Borrower Name	Kenergy Corporation
Schedule	RUS Notes - Status Quo
Account Officer	Bill LaDuca
Prepared by:	Bill LaDuca
Quote Date	March 10, 2004
Origination Date	April 30, 2004
Amortization Start Date	April 30, 2004
Loan Amount	\$1,954,881
Years to Maturity	14
Nominal Interest Rate	5.00%
Origination Fee (\$)	0
Payments/Year	12
Amort Method	Irregular Payments
Days per Year	365
Payment Amount	\$0

Nominal Interest Rate	5.00%
Net Effective Interest Rate	5.00%
Reduction of Interest Rate	0.00%
Patronage Rate	0.00%
% Cash Patronage	0.00%
Initial Capital Purchase Amount	\$0
Target Equity	0.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Prior 5 Year Avg Loan Balance	0

EXHIBIT 2

Borrower: Kenergy Corporation													
Quote Date: March 10, 2004													
Origination Date: April 30, 2004													
Schedule: RUS Notes - Status Quo													
Effective Interest Rate: 5.00%													
Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	5 Year Avg Loan Balance	Target Equity
	A	B	C	D	E	F	G	H	I	J	K	L	M
2004	1,954,881	61,997	64,551	0	0	0	1,828,333	0	0	1,892,884	1,290,571	258,114	0
2005	0	97,845	92,398	0	0	0	-190,243	0	0	1,795,039	1,847,966	627,707	0
2006	0	102,753	87,395	0	0	0	-190,148	0	0	1,692,286	1,747,895	977,286	0
2007	0	107,907	82,140	0	0	0	-190,047	0	0	1,584,379	1,642,804	1,305,847	0
2008	0	112,872	76,645	0	0	0	-189,517	0	0	1,471,507	1,532,907	1,612,428	0
2009	0	118,981	70,850	0	0	0	-189,831	0	0	1,352,527	1,417,002	1,637,715	0
2010	0	124,949	64,766	0	0	0	-189,714	0	0	1,227,578	1,295,314	1,527,184	0
2011	0	131,216	58,376	0	0	0	-189,592	0	0	1,096,362	1,167,522	1,411,110	0
2012	0	137,490	51,685	0	0	0	-189,175	0	0	958,872	1,033,702	1,289,289	0
2013	0	144,694	44,635	0	0	0	-189,329	0	0	814,179	892,703	1,161,249	0
2014	0	151,951	37,236	0	0	0	-189,187	0	0	662,227	744,717	1,026,792	0
2015	0	159,573	29,465	0	0	0	-189,038	0	0	502,654	589,308	885,590	0
2016	0	167,440	21,319	0	0	0	-188,759	0	0	335,215	426,383	737,363	0
2017	0	175,975	12,743	0	0	0	-188,718	0	0	159,239	254,855	581,593	0
2018	0	159,239	3,785	0	0	0	-163,025	0	0	0	75,709	418,195	0
2019	0	0	0	0	0	0	0	0	0	0	0	269,251	0
2020	0	0	0	0	0	0	0	0	0	0	0	151,390	0
2021	0	0	0	0	0	0	0	0	0	0	0	66,113	0
2022	0	0	0	0	0	0	0	0	0	0	0	15,142	0
2023	0	0	0	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	\$1,954,881	\$1,954,881	\$797,991	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



Projection of Cash Flows and Effective Interest Rates

The following provides a column-by-column description of CoBank's Loan Rate Model. The Loan Rate Model provides projections of cash flows and effective interest rates based upon the assumptions given for each printout.

- Column A reflects the principal advances on the loan.
- Column B reflects the periodic principal payments.
- Column C reflects the periodic interest payments.
- Column D shows the capital purchases required based upon the assumptions. A new borrower must purchase \$1,000 capital.
- Column E reflects the cash patronage. Total patronage is calculated as a percentage of the one year average loan balance. CoBank is required by statute to pay a minimum of 20 percent patronage capital allocated to a borrower during each year in cash.
- Column F shows capital retirements in cash.
- Column G reflects the net cash flow for the borrower throughout the term of the loan.
- Column H reflects the allocated patronage used to purchase additional capital in CoBank. This represents the balance of the capital allocated each year which was not paid in cash.
- Column I shows the balance of purchased and allocated capital on a cumulative basis each year.
- Column J reflects the loan balance at the end of the year.
- Column K represents the one year average loan balance which is the basis for annual patronage.
- Column L represents average five year loan balance which is the basis for determining the capital target for the borrower.
- Column M shows the target equity for the borrower based upon the five year average loan balance.

Refinancing Process

A refinancing of secured debt is permitted under the RUS Mortgage. Included below is an excerpt from the RUS Mortgage providing for such refinancing. CoBank can provide electronic copies of all CoBank documents.

The specific steps for refinancing RUS notes are:

1. Provide CoBank with your RUS form 613 (Quarterly RUS Statement of Loan Account) in order to analyze notes beneficial to refinance.
2. CoBank completes due diligence and provides loan commitment.
3. Provide notice to RUS of prepayment, designating notes to be prepaid and request for payoff memorandum. This notice must be at least four business days before the desired pay off date.
 - RUS Payoff Information: Direct Loan and Grant Branch (DLGB)
 - Telephone: 314-457-4049 or 314-457-4083
 - Fax: 314-457-4283 or 314-457-4284
 - Email: dlgb@stl.rural.usda.gov
 - Cash Transmittal Questions: Cash Management Branch (CMB)
 - Telephone: 314-457-4021
4. Obtain and forward to CoBank, RUS prepared spreadsheet setting forth principal and interest to be paid off.
5. Apply and obtain any required regulatory approval as defined by applicable state.
6. Provide borrowing resolution and return all executed loan documents to CoBank.
7. Borrower notifies CoBank as to whether prior period amounts due will be delivered to CoBank or if it will be drawn from borrower's CoBank line of credit for final settlement of RUS notes.
8. Principal balance and interest wired by CoBank to RUS paying off notes.
9. Supplemental mortgages filing complete and opinion of counsel delivered to CoBank.

Excerpt from Article II of the RUS Mortgage

SECTION 2.02. Refunding or Refinancing Notes: The Mortgagor shall also have the right without the consent of any Mortgagee or any Noteholder to issue Additional Notes for the purpose of refunding or refinancing any Notes so long as the total amount of outstanding indebtedness evidenced by such Additional Note or Notes is not greater than 105% of the then outstanding principal balance of the Note or Notes being refunded or refinanced. PROVIDED, HOWEVER, that the Mortgagor may not exercise its rights under this Section if an Event of Default has occurred and is continuing, or any event which with the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing. On or before the first advance of proceeds from Notes issued under this section, the Mortgagor shall notify each Mortgagee of the refunding or refinancing. Additional Notes issued pursuant to this Section [2.02] will thereupon be secured equally and ratably with the Notes.